

Concord

AR42



ANNUAL REPORT 1972



**Directors**

Alexander H. Douglas

Irving Goodman

Nathan Goodman

George S. Mann

James J. P. Walsh, Q.C.

**Officers**

Alexander H. Douglas, *President*

James J. P. Walsh, Q.C., *Secretary*

Gordon E. Howey, *Treasurer*

**Transfer agents and registrars**

United Trust Company, Toronto

**Solicitors**

James J. P. Walsh, Q.C., Toronto

**Bankers**

Canadian Imperial Bank of Commerce, Toronto

**Auditors**

Laventhal Krekstein Horwath & Horwath, Toronto



21 St. Clair Ave. E., Toronto, Ontario

# Report of the directors



Alexander H. Douglas

Your Directors submit the Annual Report of the company together with the Consolidated Balance Sheet as at December 31, 1972, the related Consolidated Statement of Income and Retained Earnings with comparative figures and a Statement of Source and Application of Funds.

## Financial

In 1971, we changed our year end to a calendar year and therefore we have not provided audited twelve month comparisons. We have included a comparison of our last audited statements for the 6 month period ended December 31, 1971, and 12 months ended June 30, 1971.

Rental revenue for the period totalled \$1,479,243 compared to \$641,014 for six months ended December 31, 1971.

Dividend income and management fees increased to \$85,600 compared to \$38,618 in 1971. *34 cents vs 25 for you*

Our cash-flow per share was 39¢ compared to 15¢ for the six month period. Per share earnings were 25¢ compared to 9¢ for 6 months ended December 31, 1971. *per 80*

## Operations

We completed the addition to our manufacturing and warehouse facilities in Woodbridge in March of 1973. Monsanto Canada Limited will occupy the entire 375,000 square feet on a twenty (20) year net lease. We have arranged for a 2 million dollar mortgage at 8½% interest for the term of lease.

In the Fall of 1972, we added three free-standing warehouse buildings to our investment properties and leased them on ten (10) year net leases to prime tenants.

The construction of our Midas Muffler retail stores are progressing satisfactorily. The first shop, located on St. Clair Avenue West in Toronto opened in December, with a second scheduled for completion in early May in Brampton, Ontario. *open before June*

Construction should begin on a new Midas store in Hamilton in June of 1973.

A car wash building was completed in late 1972 in St. Catharines and leased to a major oil company on a twenty (20) year lease.

Agreement has been reached to construct a new car wash in Streetsville and to lease it to a major oil company.



*See company*  
Board of Directors (left to right) George S. Mann, Nathan Goodman, Alexander H. Douglas, Irving Goodman, James J. P. Walsh.



J. A. Hoyle, Development Manager, A. H. Douglas, President and Gordon E. Howey, Treasurer, discuss financial proposal at company's Toronto office.

#### Tru-Wall Concrete Forming Limited

During the year under review and to date, 1973, we increased our holding in Tru-Wall Concrete Forming Limited to 78,955 shares, approximately 21% of the issued shares. We are the largest individual shareholder in Tru-Wall.

*& profit on blocking gone*  
Tru-Wall has diversified its operations into land development, house building, ready-mix concrete, industrial rental properties in addition to its original concrete forming business.

For the nine months ended February 28, 1973, they reported record earnings of \$301,000 after tax compared to \$63,000 in 1972.

We expect that their earning trend will continue upwards.

#### Auto Electric Service Company, Limited

We have been concerned about the amount of time and effort needed to manage our investment in Auto Electric Service Company, Limited. The investment in Autolec shares at a cost of \$727,000 represents less than 8% of our assets yet has been taking a disproportionate amount of our management effort.

In order to correct this problem and achieve the level of profits that are available in the automotive aftermarket; the following management appointments have been made at Autolec:

*J. HOLLISTER*, President was Zone Manager with a major automotive manufacturer. In this position Mr. Hollister was responsible for marketing of all aftermarket products in Ontario and for the operation of the National Parts Depot maintaining supply to all other corporate depots across Canada. He was also responsible for service development and the administration of corporate warranty policies in Ontario.

*G. E. HOWEY*, C.A., Vice-President, Finance Secretary held a senior financial position with an International Company and was headquartered in their Toronto office.

*R. J. MIGHTON*, Manager Marketing, was Canadian General Sales Manager for a major automotive parts manufacturer. In this position Mr. Mighton was responsible for all marketing and distribution activities of this Company.

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*KIYO NONOMURA*, Manager Purchasing was Purchasing Agent for a major aftermarket parts distributor, and more recently Assistant to the V. P. Marketing & Merchandising of the largest warehouse distributor in Canada.

*R. C. BROWN*, Manager Operations was Operations Manager of the National Parts Depot for a major automobile manufacturer. In that position Mr. Brown set up and managed the most modern material handling facility of its kind in North America.

The company will continue to be operated under the management contract between the two companies and I have retained the responsibilities of Chairman of the Board.

#### **Appointments to the Board of Directors**

During the year we accepted the resignations of the following directors: George Leaver, J. B. McLellan and T. M. Bradfield.

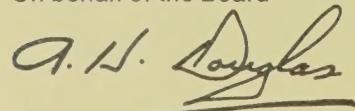
The new directors appointed were: George Mann, Irving Goodman, Nathan Goodman, all experienced in real estate development or automotive marketing.

#### **Outlook**

The company intends to broaden the scope of its activities immediately to become involved in all types of real estate development.

The immediate prospects for 1973 development are very positive and we are confident that our earnings and cash-flow will continue to increase.

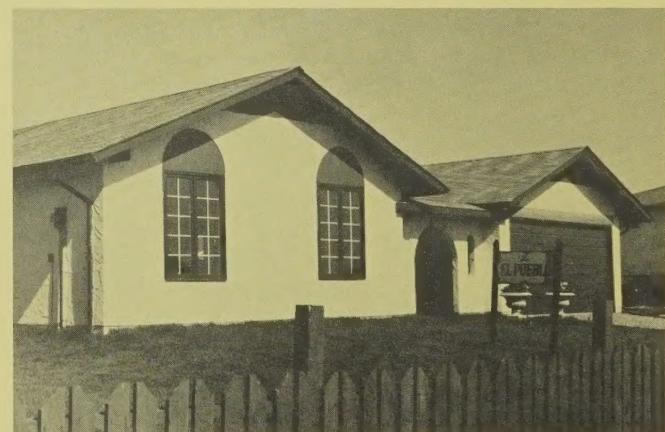
On behalf of the Board



Alexander H. Douglas,  
President



New head office of Auto Electric Service Company, Limited and Modern Automotive Warehousing Limited.

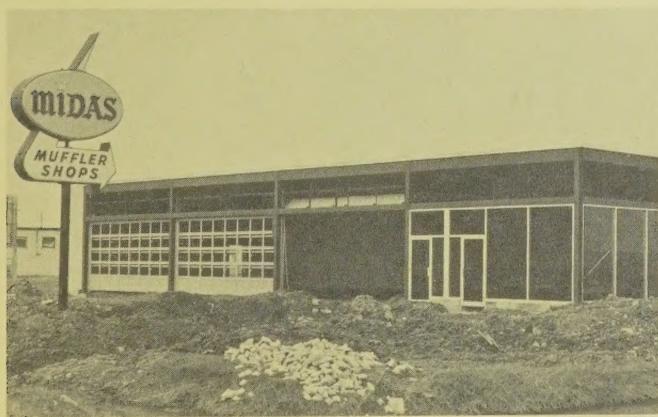


Spanish design house successfully constructed and marketed by Tru-Wall Concrete Forming Ltd.

DOUGLAS LEASEHOLDS  
LIMITED



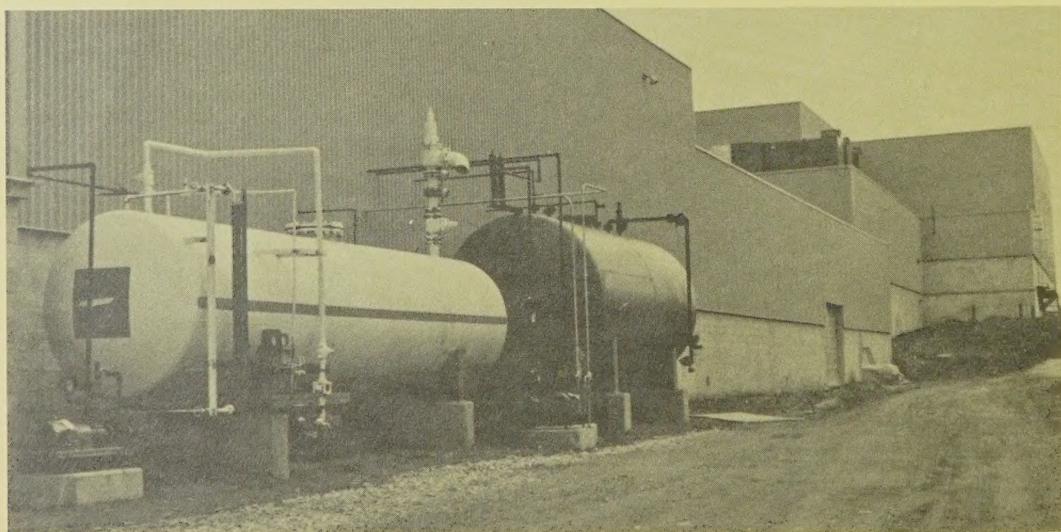
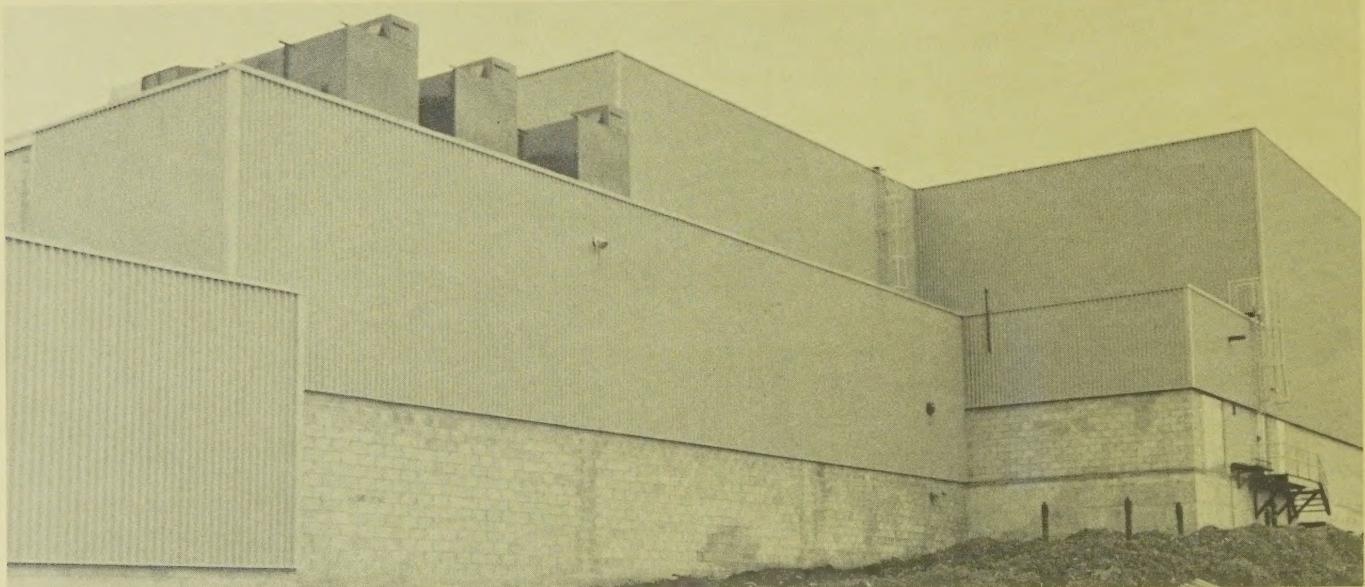
New Midas Muffler Shop recently opened on St. Clair at Wychwood Ave. in Toronto.



Midas Muffler Shop under construction at Kennedy Road and Stafford in Brampton, Ontario.



New car wash and service station nearing completion on Glenridge Drive in St. Catharines.



Sections of our newly constructed manufacturing and warehousing plant for Monsanto Canada Limited. The building constructed for the production of poly-urethane foam, and foam moulded products, is of single story design but some sections are 35 feet in height. The total area exceeds 375,000 square feet and the products are used by the automobile industry, furniture, and clothing manufacturers.

# Consolidated Statement of Income and Retained Earnings

(Note 1)



	Year Ended December 31, <b>1972</b>	Six Months Ended December 31, <b>1971</b>	Year Ended June 30, <b>1971</b>
(Restated Note 10)			
<b>Revenue:</b>			
Rentals	\$1,479,243	\$641,014	\$1,238,577
Less rent paid on leased sites	131,318	66,967	136,759
	<hr/>	<hr/>	<hr/>
Dividend income and management fees	1,347,925	574,047	1,101,818
Car wash income	85,600	38,618	71,327
	<hr/>	<hr/>	<hr/>
	<b>1,433,525</b>	<b>651,593</b>	<b>1,314,799</b>
<b>Expenses:</b>			
Interest on long-term debt	338,227	176,431	355,026
Other interest	51,561	21,785	34,894
Depreciation	75,852	41,996	65,947
Other operating expenses	679,223	312,083	648,285
	<hr/>	<hr/>	<hr/>
Income before income taxes and extraordinary gain	1,144,863	552,295	1,104,152
Income taxes	<hr/>	<hr/>	<hr/>
Income before extraordinary gain	288,662	99,298	210,647
Extraordinary gain (Note 11)	127,624	35,758	87,328
	<hr/>	<hr/>	<hr/>
Net income	161,038	63,540	123,319
Retained earnings, at beginning of year, as restated (Note 10)	36,307	4,596	59,687
	<hr/>	<hr/>	<hr/>
Net income	197,345	68,136	183,006
Retained earnings, at beginning of year, as restated (Note 10)	<hr/>	<hr/>	<hr/>
688,032	619,896	397,539	
<hr/>	<hr/>	<hr/>	
885,377	688,032	580,545	
	<hr/>	<hr/>	
Realization of appraisals, net of applicable income taxes	—	—	39,351
Retained earnings, at end of year	<hr/>	<hr/>	<hr/>
\$ 885,377	\$ 688,032	\$ 619,896	
	<hr/>	<hr/>	
<b>Earnings per share:</b>			
Net income	25¢	9¢	23¢
Income before extraordinary gain	20¢	8¢	16¢

See accompanying notes.

# Consolidated Balance Sheet

(Note 1)

## Assets

	December 31, 1972	December 31, 1971
		(Restated Note 10)
Accounts and mortgage receivable (Note 2)	\$ 120,473	\$ 88,777
Sinking fund cash deposit	121,751	118,671
Land held for resale, at cost	29,994	29,994
Investment properties and equipment (Note 3)	9,176,538	7,695,559
Investment in shares of publicly held companies (Note 4)	946,064	943,115
Prepaid expenses and sundry assets	43,774	51,539
Deferred financing costs and expenses, less amortization (Note 5)	166,957	183,485
	<u>\$10,605,551</u>	<u>\$9,111,140</u>

## Auditors' Report

To the Shareholders of  
Douglas Leaseholds Limited.

We have examined the consolidated balance sheet of Douglas Leaseholds Limited and subsidiary as at December 31, 1972 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**Laventhal Krekstein Horwath & Horwath**  
*Chartered Accountants*

Toronto, Ontario,  
April 19, 1973.


**Liabilities**

	December 31, 1972	December 31, 1971
	(Restated Note 10)	

Bank indebtedness (Notes 4 and 6)	\$ 1,489,907	\$ 488,244
Accounts payable and accrued interest	474,838	165,326
Income taxes payable	49,620	26,015
Shareholder's loan (Note 4)	90,000	90,000
First mortgage bonds (Note 7)	2,731,000	2,902,000
Mortgages payable (Note 7)	1,872,360	1,749,421
Deferred commissions payable	70,000	77,500
Deferred income	72,071	73,346
Deferred income taxes	199,498	180,376
	<hr/>	<hr/>
	7,049,294	5,752,228

**Shareholders' equity**

Capital:		
Authorized:		
1,500,000 Common shares, no par value		
Issued:		
790,000 Common shares	1,066,200	1,066,200
Excess of appraised value of land included in properties over cost (Note 3)	1,604,680	1,604,680
Retained earnings	885,377	688,032
	<hr/>	<hr/>
	3,556,257	3,358,912
	<hr/>	<hr/>
	\$10,605,551	\$9,111,140

See accompanying notes.

On behalf of the Board:

Alexander H. Douglas, *Director*

James J. P. Walsh, *Director*

# Consolidated Statement of Source and Use of Funds

(Note 1)

	Year Ended December 31, <b>1972</b>	Six Months Ended December 31, <b>1971</b> <small>(Restated Note 10)</small>
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## Source of funds:

### Operations:

Income before extraordinary gain	<b>\$ 161,038</b>	\$ 63,540	\$123,319
<b>Add items not requiring cash outlay:</b>			
Depreciation and amortization	<b>91,105</b>	41,996	65,947
Deferred income taxes	<b>19,122</b>	8,114	8,114
Cash flow before extraordinary gain*	<b>271,265</b>	113,650	197,380
Extraordinary gain	<b>36,307</b>	4,596	59,687
Cash flow including extraordinary gain*	<b>307,572</b>	118,246	257,067
Mortgage proceeds	<b>225,000</b>	—	277,000
Interim construction financing	<b>657,050</b>	—	—
Increase (decrease) in accounts payable and accrued interest	<b>309,512</b>	(18,106)	3,350
Decrease in other assets	<b>7,433</b>	16,942	28,023
Increase (decrease) in bank indebtedness	<b>344,613</b>	99,360	(14,057)
Increase (decrease) in income taxes payable	<b>23,605</b>	(17,316)	35,336
Realization of appraisals	<b>—</b>	—	39,351
	<b>\$1,874,785</b>	<b>\$199,126</b>	<b>\$626,070</b>

## Use of funds:

Principal repayments on bonds and mortgages	<b>\$ 273,061</b>	\$105,825	\$422,260
Investment in shares of publicly held companies	<b>2,949</b>	23,572	53,676
Increase (decrease) in sinking fund deposit	<b>3,080</b>	44,506	(190)
Additions to property and equipment	<b>447,179</b>	3,350	211,420
Construction in progress	<b>1,109,320</b>	9,766	—
Increase (decrease) in accounts and mortgages receivable	<b>31,696</b>	8,357	(82,661)
Decrease in deferred commissions payable	<b>7,500</b>	3,750	7,500
Adjustment of prior year's income	<b>—</b>	—	14,065
	<b>\$1,874,785</b>	<b>\$199,126</b>	<b>\$626,070</b>

### \*Cash flow per share:

Net income	<b>39¢</b>	15¢	33¢
Income before extraordinary gain	<b>34¢</b>	14¢	25¢

See accompanying notes.

# Notes to consolidated financial statements

Year ended December 31, 1972



## 1. Accounting principles:

- a. The consolidated financial statements include the accounts of the company's wholly-owned subsidiary, Juniper Investments Limited.
- b. In 1971 the fiscal year end of the company was changed from June 30 to December 31. Accordingly comparative figures are not presented for the year ended December 31, 1971; however, for comparative purposes, figures are included for the six months ended December 31, 1971 and for the year ended June 30, 1971.

## 2. Accounts and mortgage receivable:

	1972	1971
Mortgage receivable, 9%, matures October 17, 1979	\$ 25,098	\$ 27,662
Sundry accounts receivable	<u>95,375</u>	<u>61,115</u>
	<u><u>\$120,473</u></u>	<u><u>\$ 88,777</u></u>

## 3. Investment properties and equipment:

	1972	1971
Undeveloped land, at appraised value	\$ 145,500	\$ 145,500
Developed properties:		
Land, at cost	788,210	495,028
Land, at appraised value	3,675,910	3,675,910
Building and equipment, at cost	3,964,520	3,810,523
	<u>8,574,140</u>	<u>8,126,961</u>
Less accumulated depreciation	<u>516,688</u>	<u>441,168</u>
	<u><u>8,057,452</u></u>	<u><u>7,685,793</u></u>
Construction in progress*	<u>1,119,086</u>	<u>9,766</u>
	<u><u>\$9,176,538</u></u>	<u><u>\$7,695,559</u></u>

The company uses the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest computed at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over a 35-year period. Equipment is depreciated on a straight-line basis at 10% per annum.

Land shown above at appraised value is based on an appraisal made June 30, 1968 by Canada Permanent Trust Company. The excess of appraised value over cost has been reduced from \$1,687,859 to \$1,604,680 as a result of the realization of appraisal through sale of properties.

\*The company is currently constructing an addition to the Woodbridge Building.

A first mortgage bearing interest at 8 1/4% for a term and amortization of twenty years has been arranged in the amount of \$2,000,000 (Note 6).

## 4. Investment in shares of publicly held companies, at cost:

Company	No. of Shares	Cost	Market Value April 19, 1973 (Date of Auditors' Report)	
			Market Value December 31, 1972	
			1972	1973
Auto Electric Service Company Limited	130,000 (21.3% of total issued)	\$727,611	\$1,300,000	\$1,040,000
Tru-Wall Concrete Forming Limited	55,455 (15.0% of total issued)	212,154	156,365	277,275
Sundry		6,299	<u>3,950</u>	<u>3,900</u>
		<u><u>\$946,064</u></u>	<u><u>\$1,460,315</u></u>	<u><u>\$1,321,175</u></u>

These shares have been pledged against bank indebtedness and shareholder's loan. The market values shown above are based on per share quoted market prices.

## 5. Deferred financing costs and expenses, less amortization:

	1972	1971
Unamortized mortgage financing costs	\$ 74,678	\$ 81,084
Unamortized leasing commissions	87,345	96,645
Prepaid rent	<u>4,934</u>	<u>5,756</u>
	<u><u>\$166,957</u></u>	<u><u>\$183,485</u></u>

The above costs are being amortized over the terms of the respective mortgages and loans.

## 6. Bank indebtedness:

Interim construction loan:

The proceeds from the mortgage commitment on the building under construction have been assigned to the bank as security      \$ 657,050

General indebtedness:

The investment in shares of publicly held companies are pledged as security as well as a general assignment of book debts

832,857
<u><u>\$1,489,907</u></u>



**7. Long-term debt:**

	<u>1972</u>	<u>1971</u>
a. First mortgage bonds:		
6 1/4 % sinking fund due November 1, 1988	\$ 330,000	\$ 348,000
6 1/4 % sinking fund due March 1, 1988	469,000	496,000
6 1/2 % sinking fund due January 15, 1982	1,280,000	1,369,000
6 3/4 % serially due November 1, 1970 to 1985	329,000	349,000
6 3/4 % serially due January 1, 1970 to 1985	159,000	169,000
7 1/2 % serially due June 1, 1970 to 1985	164,000	171,000
	<u>\$2,731,000</u>	<u>\$2,902,000</u>
b. Mortgages payable:		
First mortgages:		
6% due November 21, 1978	\$ 76,427	\$ 87,095
7% due October 1, 1977	9,674	11,273
7% due January 1, 1978	14,195	16,364
7% due November 1, 1978	19,031	21,578
7% due October 1, 1974	24,375	36,563
7% due February 1, 1976	52,166	66,842
7 1/4 % due November 30, 1986	49,939	51,963
7 1/4 % due February 20, 1986	352,856	368,434
7 1/4 % due March 10, 1986	36,578	38,096
7 1/2 % due March 1, 1987	42,157	43,770
8 3/4 % due August 1, 1982	124,518	—
9% due April 1, 1981	16,698	18,307
9% due February 1, 1980	432,000	456,000
9 1/2 % due November 21, 1982	99,855	—
10 1/2 % due March 1, 1991	98,425	99,402
10 5/8 % due December 1, 1986	80,000	80,000
10 3/4 % due February 1, 1991	118,111	119,233
	<u>1,647,005</u>	<u>1,514,920</u>
Second mortgages	<u>225,355</u>	<u>234,501</u>
	<u><u>\$1,872,360</u></u>	<u><u>\$1,749,421</u></u>

The aggregate amount of payments estimated to be required in each of the next five years to meet sinking fund and other mortgage debt retirement provisions are as follows:

1973	\$298,228
1974	323,088
1975	323,750
1976	324,450
1977	339,700

The company is the owner of properties leased to major tenants and these existing leases are expected to generate adequate cash flow to retire the above long-term debt as it falls due.

**8. Commitments:**

The company is committed as a tenant under various leases to annual rentals of approximately \$138,000. All the leased properties have been sub-leased, mainly to major oil companies, for periods that approximately coincide with the terms of the leases to the company. Each of the properties yields a rental equal to or greater than the rent paid by the company.

The company has options to purchase all but two leased properties at the expiration of the respective lease terms.

**9. Remuneration of directors and senior officers:**

The aggregate direct remuneration for the year paid or payable to directors and senior officers amounts to \$89,008.

**10. Adjustment of prior year's income:**

The balance of retained earnings at December 31, 1971 previously reported as \$692,331 has been restated to show a net retroactive charge of \$4,299, made up as follows:

Approximate income taxes applicable to 1969	\$14,065
Correction of amounts expensed in 1971 which should have been capitalized to cost of construction	(9,766)
	<u><u>\$ 4,299</u></u>

**11. Extraordinary gains:**

	<u>1971</u>		
	<u>1972</u>	<u>December 31,</u>	<u>June 30,</u>
Tax reductions due to losses carried forward	<u><u>\$36,307</u></u>	<u><u>\$4,596</u></u>	<u><u>\$10,884</u></u>
Gains on disposition of investment properties	—	—	38,793
Gain on purchase of company's mortgage bonds payable	—	—	10,010
	<u><u>\$36,307</u></u>	<u><u>\$4,596</u></u>	<u><u>\$59,687</u></u>





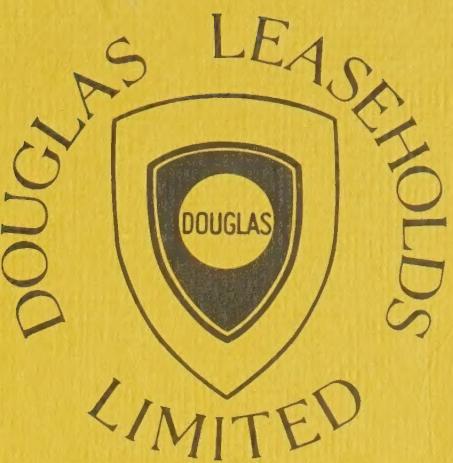
**DOUGLAS LEASEHOLDS LIMITED**  
**CONSOLIDATED STATEMENT OF SOURCE AND**  
**USE OF FUNDS**  
(Uaudited)  
Six months ended June 30, 1972

	1972	1971
Source of funds:		
Operations .....	\$ 99,726	\$125,924
Add items not requiring cash outlay:		
Depreciation and amortization ..	38,494	34,468
Deferred income taxes .....	9,679	5,203
Equity in net earnings of Auto Electric Service Company Limited, less dividends received .....	(8,992)	(11,266)
	<hr/>	<hr/>
	\$138,907	\$154,329

Mortgage proceeds .....	—	88,000
Realization of appraisal .....	—	20,301
Change in bank indebtedness....	276,762	(25,375)
Cost of properties sold .....	—	39,190
Sinking fund deposit .....	44,421	42,193
	<hr/>	<hr/>
	\$460,090	\$318,638

Use of funds

Principal payments on bonds and mortgages .....	\$172,831	\$159,593
Investment in shares of publicly held companies ....	2,929	16,676
Purchase of properties .....	229,586	133,105
Net changes in other assets and liabilities .....	54,744	9,264
	<hr/>	<hr/>
	\$460,090	\$318,638



**DOUGLAS  
LEASEHOLDS  
LIMITED**

**INTERIM REPORT  
TO SHAREHOLDERS**

**FOR THE SIX MONTHS ENDED  
JUNE 30th, 1972**

# file

## DOUGLAS LEASEHOLDS LIMITED

### REPORT TO OUR SHAREHOLDERS

Your Directors submit an interim report of operations for the six month period ended June 30, 1972, with comparative figures for the similar period last year.

#### FINANCIAL

Rental Revenue for the period totalled \$645,246, compared to \$618,305 in 1971.

Dividend income and management fees totalled \$35,632 compared to \$24,887 in 1971.

In October 1971, we ceased operation of our car wash and leased it to an oil company; therefore we do not show any car wash sales for 1972.

Income before extraordinary items was \$82,491 compared to \$80,671 in 1971.

In 1971 we had an extraordinary profit on sale of real estate amounting to \$23,503; compared to \$3,235 in 1972.

Our after tax net income was \$99,726 compared to \$115,174 in 1971.

Earnings per share before extraordinary items was 10.0¢ in both periods, earnings per share 13¢ in 1972 after extraordinary items compared to 15¢ in 1971.

#### OPERATIONS

Our agreements to construct a major addition to our manufacturing facilities in Woodbridge are now completed. Monsanto (Canada) Ltd. will occupy the entire 375,000 square foot plant along with the 28 acre parcel of land. The lease is for a 20 year period on a net basis. Construction is expected to start in August 1972 and will be completed in April 1973.

We have entered into an agreement to purchase land and construct buildings for five Midas Muffler shops in the Metropolitan Toronto area.

## DOUGLAS LEASEHOLDS LIMITED

### CONSOLIDATED STATEMENT OF INCOME

(unaudited)

Six months ended June 30, 1972

	1972	1971
<b>Revenue</b>		
Rental income .....	\$645,246	\$618,305
Less: rent paid on leased service stations .....	65,792	68,049
	<u>\$579,454</u>	<u>\$550,256</u>
Dividend income and management fees .....	35,632	24,887
Car wash sales .....	—	79,063
	<u>\$615,086</u>	<u>\$654,206</u>
<b>Expenses</b>		
Interest on long-term debt .....	\$165,788	\$167,882
Depreciation .....	34,802	34,468
Other operating expenses .....	294,998	340,403
	<u>\$495,588</u>	<u>\$542,753</u>
Income from operations .....	\$119,498	\$111,453
Income taxes .....	59,000	55,444
	<u>\$ 60,498</u>	<u>\$ 56,009</u>
Equity in net earnings of Auto Electric Service Company Limited .....	21,993	24,662
Income before extraordinary items.....	\$ 82,491	\$ 80,671
<b>Extraordinary items</b>		
Profit on real estate (net after taxes) .....	\$ 3,235	\$ 23,503
Income tax reduction resulting from the carry-forward of losses of prior years. ....	14,000	11,000
Net income .....	<u>\$ 99,726</u>	<u>\$ 115,174</u>
<b>Earnings per share</b>		
Income before extraordinary items .....	10¢	10¢
Net income .....	13¢	15¢